

7-1989

Observations on Soviet Perestroika and Implications for Soviet Agriculture and U.S. Policy

Mark A. Edelman Dr.

Iowa State University, medelman@iastate.edu

Follow this and additional works at: http://lib.dr.iastate.edu/econ_las_staffpapers



Part of the [Agribusiness Commons](#), [Economic Policy Commons](#), [International Business Commons](#), and the [Policy History, Theory, and Methods Commons](#)

Recommended Citation

Edelman, Mark A. Dr., "Observations on Soviet Perestroika and Implications for Soviet Agriculture and U.S. Policy" (1989). *Economic Staff Paper Series*. 199.

http://lib.dr.iastate.edu/econ_las_staffpapers/199

This Report is brought to you for free and open access by the Economics at Iowa State University Digital Repository. It has been accepted for inclusion in Economic Staff Paper Series by an authorized administrator of Iowa State University Digital Repository. For more information, please contact digirep@iastate.edu.

Observations on Soviet Perestroika and Implications for Soviet Agriculture and U.S. Policy

Abstract

Imagine you accompanied me on a recent tour to study the Soviet food system. Our delegation convened in Washington D.C. After the initial reception and dinner for our 23 delegates Dennis Avery a specialist from World Perspectives, Inc. and former State Department officially briefed us on the status and background of the Soviet agricultural system. Here is a summary.

Disciplines

Agribusiness | Economic Policy | International Business | Policy History, Theory, and Methods

Staff Paper 206

**Observations on Soviet Perestroika and
Implications for Soviet Agriculture
and U.S. Policy ***

**by Dr. Mark A. Edelman **
Department of Economics
Iowa State University**

July 1989

* Paper presented at the National Institute for Cooperative Education, Indianapolis, IN. July 26, 1989. This report is designed to foster a better understanding of the changes currently occurring in the Soviet Union and the implications for the U.S. Policy.

** Dr. Mark A. Edelman is an Associate Professor and Extension Public Policy Economist in the Department of Economics, Iowa State University. Edelman has conducted over 300 seminars on various public policy topics including the agricultural economy, agricultural policy and international trade. He also has written over 140 columns for midwestern newspapers and farm media on many of these issues. He recently participated in a seminar exchange and food system study hosted by the U.S.S.R. Central Council of Consumer Cooperatives (Centrosoyuz) led by the U.S. National Council of Farmer Cooperatives (NCFC).

Discussion Outline

- A. Soviet Agriculture: Briefing Seminar Number 1**
- B. Soviet History: The Five Phases of Stalin**
- C. Moscow Symposium: Soviet Coops Under Perestroika**
- D. Understanding The Changing Soviet Food System**
- E. Observations on Soviet Food Technology and Farms**
- F. The Major U.S.- Soviet Food Diplomacy Issue**

Soviet Agriculture: Briefing Seminar Number 1.

Imagine you accompanied me on a recent tour to study the Soviet food system. Our delegation convened in Washington D.C. After the initial reception and dinner for our 23 delegates, Dennis Avery, a specialist from World Perspectives, Inc. and former State Department official, briefed us on the status and background of the Soviet agricultural system. Here is a summary.

Avery's first observation is that Gorbachev was placed in power by Politburo members who feared the lack of growth in the Soviet domestic economy. "Agriculture, in particular, threatens to erode the Soviet stature and security. Politburo members are scared that the USSR will become a second rate world power if their economy isn't turned around," he said.

Avery's second point is, "The global keys to success in agriculture are the clearest in his lifetime. First, you must invest in agricultural research. The U.S. was the first nation to get a strong agricultural growth trend starting in the 1920s."

"Our growth was due to hybrid seed and fertilizers. We were the first to make two blades of grass grow where one grew before. But before we take the credit, the hybrid seeds were due to an Austrian monk named Gregor Mendel and the fertilizer was due to a German process for producing nitrogen. Even then, the first nations to deploy new technologies were not always the ones who made the initial discovery," he said.

Avery's second key to a successful agriculture is that institutions must be conducive to technology adoption. "People are similar around the world, however institutions are very different.

"The U.S. system simply made practical research available at the farm level and farmers had strong incentives to use it. Every major country around the world is fond of our food system and family farm structure. It is diverse and it is always seeking better ways of doing things," he added.

Avery suggested that while the Soviet climate is a factor in its agricultural production, it is not a fundamental weakness. "Most of the USSR agricultural production lies at a latitude that is north of the Twin Cities. However, their fundamental production problem is not weather, it is the lack of incentives and a systems approach to agriculture."

"Until recently, the Soviet Union has had no field level managers except on their private plots. The typical farm manager was picked by the party. Therefore, the selection was based on party loyalty rather than ability to manage a farm."

Avery claimed that in some cases, farm managers would take seeds from Moscow and would be told when to plant by Moscow.

"Think how our system would work if Washington told our farmers which day they were to plant. It would be a disaster caused by too much central authority and too little common sense," he said.

Avery claimed that Soviet tractors breakdown every 50 hours, while John Deere tractors work 750 hours without a breakdown.

"Soviet parts are difficult to get and combines often set idle during harvest when critical parts are missing," he said.

After several more negative anecdotes, Avery concluded, "the USSR is discovering the 'truth' about the economic system they've used for 60 years. It simply hasn't worked very well."

"Now, there is hope with perestroika and glasnost," he said.

Gorbachev is exploring several institutional innovations like teamwork, contracting, long-term leases, new cooperatives, and family farms. As a result, Avery predicted the USSR will have future agricultural growth rates of 2.5 percent per year.

"In spite of this hope, Gorbachev may have a very rough road ahead and the success of the reform remains in question," said Avery. "One hang-up is that the incentives for production may require higher prices for consumers. Shortages of many food items may cause consumer revolts and contribute to widespread unrest. A major balancing act will be required to foster economic and political reforms on one hand, while attempting to provide enough economic stability and security on the other."

"Another problem is that not everyone is going along with reform. The black marketers and some bureaucrats stand to lose power under the new reforms and are fighting change," he added.

"A final barrier is the caution of the Soviet people. They have survived by not taking risks. Many Soviets have memories of more than ten million Russian Cossacks that Stalin killed during the 1930s while he was destroying private enterprise and forcing their independent agricultural structure into a Communist state-run system," Avery said. "With such memories, caution is likely to be exercised by those who are not willing to bet their lives on whether or not Gorbachev will remain in power."

Soviet History: The Five Phases of Stalin

Our delegation convened yesterday in Washington. This morning Dr. Richard Stites from the Center for Strategic and International Studies of Georgetown University gave us a briefing titled, "The Five Phases of Stalin." Here is a summary.

STALIN THE COLLECTIVIZER. For 400 years prior to 1917, Soviet agriculture was a peasant agricultural system under the feudal control of the Tzars. The Tzars took resources from the poor by a regressive tax structure and used the resources to finance national industries, fight wars, and accumulate wealth.

After the 1917 revolution, much of the agricultural land was taken from landlords and control was given to the peasants. The peasants wanted land, but depended on outside investment. The government gave them capital in return for a share of production.

Lenin was the first communist premier. His concept of collective farms was to organize them like community cooperative enterprises. Soviet cooperatives from the 1800s had served as successful models for the type of collectives Lenin desired. Local citizens were to make the decisions regarding investment, profit distribution, education and cultural activities.

Lenin was responsible for de-nationalizing most of the Soviet industrial complex during the early 1920s. In fact, this independent decentralized control of resources resembled a dispersed type of community capitalism in many instances.

After Lenin died in 1928, Stalin took control. Stalin's view of collective farms was quite different from Lenin's. Stalin broke the truce with the peasants, took control of the land and placed the existing collective farms under the strict control of

the state. He organized new state farms and additional collective farms under the strict state control.

Stalin re-nationalized all of the Soviet industries. Private ownership was not allowed. And individual families were only allowed to have personal use of a small private plot. Those who disagreed with Stalin either starved or were shot.

STALIN THE CENTRAL PLANNER. In 1931, Stalin announced a grand plan to industrialize the Soviet Union in ten years. "We must industrialize or be left behind," Stalin said. With some outside help, his plan was successful enough to fight off the German invasion in 1941. His centralized planning was geared less toward individual need and more toward individual sacrifice to make the nation stronger in terms of industrial and military strength. Stalin's central planning created a loyal bureaucracy. It reduced duplication and created economies of scale. However, factory managers were charged with filling the plan. Shortages and surpluses of goods often occurred because production decisions were made by central planners who guessed the needs.

STALIN THE TYRANT. In order to maintain dictatorial power, Stalin created a cult of personality. The goal was to have his own persona replace religion as the guiding force in Soviet society and culture. As a result, all political and cultural events, movies and even art were to glorify Stalin. Even the Soviet history books were rewritten to eliminate many of Lenin's ideas. Lenin and others were discredited and more of the credit was given to Stalin for the revolution against the Czars. Only recently, Gorbachev commissioned the re-writing of Soviet history books to correct the inaccuracies created by Stalin.

STALIN THE TERRORIST. The Soviet Police was organized to destroy his enemies and to promote his power. Stalin allowed none of Lenin's colleagues to survive or threaten his power. He held trials and had them shot.

In 1931, when property was being brought under state control, millions of Soviet Cossacks were allowed to starve and those who opposed the rule were shot. In one story, parents hid their grain by burying it. However, the children were questioned and led the authorities to the grain. The parents were shot, but the children were treated as heroes in Stalin's history books.

STALIN THE WARLORD. Today, Soviet conservatives point to Stalin's successful defense against Hitler during World War II as his major accomplishment. Stalin drew on national traditions and a god-like image created by propaganda to rally a war effort.

Stalin maintained control until his death in 1953. After Stalin's death, Khrushchev attempted to revise Stalin's system but did not achieve this goal. Soviet leaders continued the status quo until 1985 when Gorbachev unveiled "glasnost", "perestroika," and hope for the future.

Stitz concluded that not all types of communism are the same. Lenin's version was very different from Stalin's. He ended with a quote from a book that has only recently been published in the USSR, "The greatest tragedy is that we do not teach our children about the atrocities that man can perpetrate against man." The USSR is beginning to take up this challenge.

Moscow Symposium: Soviet Coops Under Perestroika

Our delegation arrived late in the Moscow evening after losing 10 hours worth of time zones and spending 14 hours in flying time and airports. My first impression of the USSR came when our plane landed. It was dark and the Moscow airport lighting was designed to help the airport see the planes rather than to help the planes in seeing the airport.

We were greeted by three cheerful Centrosoyuz hosts. There were flowers for the ladies and hearty handshakes for the men. We were the first People-to-People exchange with official USSR visas, so they looked over our papers, but our luggage was not checked. Off to the hotel we went to eat and to bed.

On the first morning, we went to Centrosoyuz headquarters for an information exchange. Centrosoyuz is the USSR Central Council of Consumer Cooperatives. USSR consumer cooperatives represent 60 million share-holders and serve 40 percent of the population. The rest are primarily served by state enterprises. Coops are a form of business where the customers, employees, or producers own the company, sit on the board of directors and select the chief manager.

The first to address us was Nikolai Lupei, Vice Chairman of the Board, USSR Centrosoyuz. Here's a summary of his remarks.

"In the course of perestroika, the true sense is being returned to many notions. This is true of cooperative enterprise. Soviet cooperatives have their roots in pre-revolutionary Russia. In 1918, after the revolution, Lenin expressed the strong view that cooperatives were a cultural legacy that Soviets must treasure and use," he said.

"[Under Lenin] there was rapid cooperative growth. [Under Stalin] there was a time of stagnation, a narrowing of the sphere of cooperative enterprises by the state, and a loss of the democratic features intrinsic to cooperatives. Now another cooperative movement is occurring under perestroika," he said.

"A new moral and political atmosphere has been created in our country since 1985 due to perestroika. By now, our country has gone through stages of comprehending the past, present and future. Public consciousness is freeing itself of various dogmas, prejudices, illusions and schemes which hampered our economic, intellectual and cultural development for decades," Lupei said.

"Now, we must materialize perestroika and translate it into reality. To accomplish this, we are focusing on broad democratization of society and radical economic reform," he said.

"The development of cooperatives holds a special place in perestroika. The very nature of cooperatives is a marriage of democratization and economic enterprise reform. And, the USSR is taking steps to deepen democracy in every way, to broaden autonomy of enterprises, to promote socialist enterprise, to change the style of management and democratize it," he continued.

"I don't want you to get the idea that there are not difficulties. Some fear that the development of cooperatives will lead to a revival of private-ownership and to a class stratification of society. However, such a view results from the wrong attitude which became established in past years. The distortion is now being corrected by returning to the consistent implementation of Lenin's doctrine on cooperation [rather than Stalin's interpretation]," said Lupei.

In May 1988, the Supreme Soviet adopted a new Law on Cooperatives. Cooperatives, alongside state enterprises, are the main elements of the USSR national economic complex. Lupei indicated the new Cooperative Law guarantees to citizens the right to voluntarily join or quit cooperatives and to participate in management [and profits]. In the past, management was selected for the collectives. Now, cooperatives [employee shareholder members] elect their own management. Coops are independent from the state in adopting decisions. And they are autonomous units that distribute their profits to their members according to quantity and quality of labor.

"Cooperative enterprise is bound to stimulate development of economic competition. There will be competition in the marketing of goods and services. There will be competition among coops and between cooperatives and the state enterprises," he said.

Finally, the new Cooperative Law not only revives the rules related to existing collectives, but it also allows the formation of a wide variety of new cooperatives. Lupei indicated that over 34,000 new coops have been formed across the USSR. Many of the new cooperatives provide examples of new goods and services, high labor productivity and high quality of work.

Lupei concluded, "Though the USSR is only beginning to make perestroika a reality, it is clear that cooperation is a major means of our society's progress.

Understanding The Changing Soviet Food System

During the first day of our USSR study, our delegation heard from Dmitrii A. Yesipenko, Head of the Department of Collective Farms and board member of the State Agro-Industrial Committee. He told us that the State Agro-Industrial Committee was established in 1986 as part of a restructuring effort to integrate the decisions of the Soviet industrial and agricultural sectors. Then he outlined the basics of the Soviet food system.

THE SOVIET FARM PRODUCTION SYSTEM. Yesipenko described the three basic institutions in Soviet farming: collective farms, state farms and private plots.

Today, there are 26,600 collective farms. The collective farms average 15,000 acres in size or 23 square miles. The collective farms account for 45 percent of the tillable land and 50 percent of the USSR agricultural output. [Technically, the collectives are cooperatives and own their own means of production. However, since the 1930s, their management has been appointed by the outside bureaucracy. Membership to a collective is obligatory, or mandatory, for the farm workers.] Each collective has a population of 1,000 to 2,000 and a work force of 500 to 1,000 members.

The USSR also has 23,000 state farms. The state farms are larger than the collective farms and they do more research. They account for about 45 percent of the tillable land and 25 percent of the USSR agricultural output. [The State owns the land and the means of production on the state farms. Therefore, the farm workers are, technically, employees similar to factory workers.]

Finally, the USSR has 36 million private plots. Each private

plot is about an acre in size. The Soviet Constitution guarantees that each family has the right to have a private plot if they so desire. The private plots account for about 10 percent of the tillable acreage but produce about 25 percent of the total USSR food output.

On the surface, it appears that the private plots are more productive. Public numbers somewhat overstate the relative efficiency because high-value crops, fruits and vegetables tend to be produced on private plots, while the collectives and state farms tend to produce low-value wheat and feed grains. However, Soviet officials admitted the private plots are, in fact, relatively more productive. This is significant because both the state farms and collective farms are part of the Agro-Industrial Complex under authority of the State Agro-Industrial Committee.

SOVIET FOOD PROCESSING AND DISTRIBUTION. In recent years, the Soviet food processing and distribution functions have primarily been carried out by two sets of institutions: the Agro-Industrial Complex and the Unions of Consumer Societies.

The Agro-Industrial Complex serves 60 percent of the Soviet population. The Agro-Industrial Complex includes the state enterprises which process food and distribute it to state-owned stores. The state stores are primarily in the urban centers.

The Unions of Consumer Societies, or consumer cooperatives serve 40 percent of the population and are located in rural areas. Consumer Societies are structurally organized under the Central Council of Consumer Cooperatives (Centrosoyuz). Centrosoyuz was serving as host to our delegation.

The present Soviet plan requires collective and state farms

to allocate 70 percent of their production to the Agro-Industrial Complex that distributes food to the state-owned retail stores. The remaining 30 percent this produce may be sold for a higher price to the Consumer Societies or directly to consumers in local "farmers' markets." Therefore, the Consumer Societies must either buy raw food produce on the open market from the Agro-Industrial Complex or directly from individuals who possess surplus production from private plots.

FROM BUREAUCRACY TO AUTONOMOUS MANAGEMENT. Perestroika is changing management principles used throughout the entire Soviet system of food production, processing and distribution. Prior to Perestroika, central planning-controlled management in a top down system. Both the Agro-Industrial Complex and the Consumer Cooperatives previously had five layers of decision-makers. State Committees, Republic Committees, Regional Committees, and District Committees previously had authority over management in local enterprises.

Now there are "team principles, democratization, and the law of [autonomous] enterprise" for the Consumer Societies and the Agro-Industrial Complex. The powers of higher bureaucracy are now limited. Enterprises may form employee teams, elect their own management and receive pay bonuses for productivity increases.

Mr. Yesipenko concluded his seminar and I was ready to observe what we had heard. If what we heard was true, the adoption of these new principles plus the development of 34,000 "new coops" could likely be the seeds for freer enterprise and competition in the Soviet food system.

Observations on Soviet Food Technology and Farms

We began our observations of the Soviet food system on our second day in the USSR. We visited a collective farm, dairy, sausage plant and two coop restaurants in the Moscow region.

From the Moscow region, we flew 500 miles east and spent one day in Ulyanovsk. The Ulyanovsk latitude is similar to the southern Alaska and it produces wheat, rye and sugar beets.

We then flew 500 miles southwest and spent three days in Volgograd, formerly called Stalingrad. The Soviets regard the "Battle of Stalingrad" as the turning point of WWII. Here we visited several war memorials, food processing plants and farms. The farms produced wheat, sorghum, beef, swine, and dairy.

On the final leg of our trip, we flew another 500 miles southwest to Krasnodar next to the Black Sea. We spent four days touring this region. In addition to many of the same crops seen earlier in our trip, we observed more tree crops, more processing facilities and a higher standard of living.

A TYPICAL SOVIET FARM. The Lenino farm in the Moscow region provides an example of the seven state and collective farms that we visited. We were told that about 2,000 out of the 26,000 Soviet collective farms were not profitable--about 8 percent. This is not too different from the Midwest during normal times. The Lenino farm was one of the more profitable farms in the USSR.

The Lenino farm had 800 farmers. The average age of the farmers was 34. The farm possessed 160 trucks, 80 tractors and 6,000 acres of land. We visited the dairy enterprise which had 760 cows averaging 11,200 pounds of milk per year. This

yield is similar to smaller Midwestern dairy farms, but is less than the yields expected on U.S. farms with 760 cows.

The dairy enterprise was organized under the new Soviet team principles. The dairy team included 26 people in two shifts. The team elected the team manager. Each team worker earned about 250 rubbles (\$450) per month. This included a 25 percent team bonus. Some workers earned less if the team felt their effort was lower.

A woman party representative told us that sex doesn't matter in pay. "Women at this farm are paid more than the men due to the type of work that they do," she said. We observed that all of the employees looking after the calving cows were women.

Glass pipeline milking equipment and bulk milk coolers were used in the enterprise. However, the milking was done in a loafing shed and the bulk equipment did not appear to be as sophisticated as the equipment found on U.S. farms. As a result, the quality of the raw milk product is likely to be more difficult to maintain. This was verified when we visited employees of a Soviet dairy processing plant.

FOOD PROCESSING TECHNOLOGIES. In addition to the farms, we visited 13 food processing plants and 15 retail stores and restaurants. The technologies used were obviously more labor intensive and focused on primary processing rather than further processing. Little is spent on packaging, convenience foods, or diversity of products. Milk and canned goods are still sold in glass jars. Very little plastic, paper or aluminum is used.

For example, we visited three canning plants. About 150 glass jars are placed into a three foot high pressure cooker. Californians in our delegation said they abandoned similar batch

processing technologies about 70 years ago for continuous canning processes. Today, a typical U.S. canner would have an evaporator that is two stories high and it would have a capacity that is several hundred times greater than the process used in the Soviet canning plants.

On the other hand, we saw two large plants that demonstrated technologies as up-to-date as anything we would have in the United States. We saw a large scale continuous dairy processing plant and bottling operation with capacity and efficiency similar to U.S. plants. We also toured a large scale packing house with a daily slaughter of 600 cattle, 1000 hogs and 3000 sheep. The hide pullers, splitting saws and techniques used on this continuous production line were similar to the large U.S. plants.

In the final analysis, some of the Soviet food production and processing technologies are current in comparison to the technologies that we use. However, most of the Soviet technologies are similar to technologies that were on the "cutting edge" in the U.S. about 10 to 30 years ago. Finally, on the other end of the scale, some of the Soviet technologies were abandoned in the U.S. about 70 years ago. As a result, many of our delegates concluded that the USSR does, in fact, need to make major national investments in food production and processing technology, if they are to improve the quantity, variety and quality of food for Soviet consumers.

The Major U.S.- Soviet Food Diplomacy Issue

Since my return from the Soviet food system study tour, I have had a chance to reflect on what we saw and what it meant. I feel fortunate to have had the opportunity to observe changes that may represent the most significant realignment of the global power structure during my lifetime.

In visiting the Soviet Union, I not only gained a better appreciation of the Soviet culture, political and economic systems, but I developed a greater appreciation for many aspects of our own culture and systems that I previously took for granted.

I was reared in a democratic market-oriented system, but I had to visit the Soviet Union to find out what "democratization" meant. It is one thing to maintain a democracy and market-oriented system, but it is quite another matter to establish democratic principles and private enterprise where there had previously been none. We are maintaining the status quo, whereas the Soviets are attempting to design a peaceful revolution.

The trip destroyed many "Cold War" myths for those in our delegation. We visited Soviet schools and found that Soviet school girls listen to the same music and have the similar hopes and dreams as American teenagers. They want to develop American pen pals to find out how we live and what we do.

Three WWII veterans in our delegation were honored by being asked to lay wreaths at their most famous war memorial commemorating the "Battle of Stalingrad." It was a tribute of thanks to all veterans who contributed the highest sacrifice during a time when our two nations were allies.

I have never been treated in a more hospitable fashion than in the USSR. One of our delegates, lost his billfold with passport, \$600 U.S. dollars and 400 rubles inside. Before he even discovered that it was missing, a local Soviet citizen found it and returned it with cash intact. That might never have happened back home.

Then we come to my conclusions regarding the Soviet changes. First, it is clear that major changes are occurring in the Soviet system. The seeds have been sown for a political economy that is more compatible with the West. We visited several of the 34,000 "New Coops" or new private businesses which have been formed by Soviet citizens during the past two years. We visited Soviet farms and processing plants that have adopted the "New Team Principles." These units are now hiring their own managers, making their own management decisions and paying workers according to performance.

Second, the USSR really does need to increase investment in food technology and infrastructure to increase the quantity, quality and diversity of goods produced as well as to raise the Soviet standard of living. While some food processing plants possessed the latest technology, most of the technologies used by Soviets compare with those used here 30 years ago. Most of the Soviet food products would not compete with ours, unless large investments were made and quality standards were enforced.

Finally, many Soviets told us that they have significant budget deficit problems and that they thought that their government was spending too much on the military. Many Soviet citizens on the streets in urban centers and out in rural areas

expressed desire for peace and friendship between the peoples of our nations for the sake of future generations and our children. Our hosts and our delegates honored each other with many toasts. "If only our government leaders could get along," they would say.

This raises the larger policy issue and options faced by U.S. leaders responsible for formulating U.S.-Soviet relations. We have three basic options.

OPTION 1: The U.S. could continue the recent growth defense spending and a military build-up. In response, the Soviets would likely continue their deficit and military spending and their political and economic revolution is more likely to fail.

OPTION 2: The U.S. could agree to an accelerated mutual reduction in defense spending and mutual reduction in military armaments with verification. In response, the Soviets would likely redirect more government funds from defense to domestic economic development. Glasnost, perestroika, democratization and freer enterprise would be more likely to succeed than under Option 1.

OPTION 3: The U.S. could provide significant investment in Soviet food technology assistance and infrastructure development. Glasnost, perestroika, democratization, and freer enterprise would be more likely to succeed than under the first two options. And, the U.S. is likely to develop more trading relationships and a closer friend in the power structure of global politics.

IN THE FINAL ANALYSIS, the question is, "Which option will the U.S. pick?" Until two weeks ago, the U.S. favored Option 2. Before the President's trip to Poland and Hungary, we were standing by waiting to see what would happen and pondering

whether perestroika will succeed or fail. President Bush has now apparently concluded his study of changes in the Eastern Block and is now willing to be a cheerleader for democratization. This represents a change from his pre-China massacre position of very little pro-democracy rhetoric and no pro-democracy initiatives. Perhaps the President realizes that global propaganda does have an impact and can raise the potential costs for conservative communist leaders who would otherwise contemplate reining in the circles of freedom by conducting another China-style massacre.

There are those who suggest that Option 3 would be too expensive. I would also challenge the President and the Congress to study their priorities and the appearance of double talk when we promise a \$115 million partnership with Poland and Hungary at a time Congress is debating \$30 to \$60 billion for a single weapon system designed to penetrate Eastern defenses.

How much is world peace worth to us, as Americans? Can we expect economic development initiatives to work miracles if they are outmanned and outfinanced 250 to 1 or 500 to 1. If both sides are serious about developing a new basis for international cooperation, it might be appropriate for both East and West to begin shifting resources and developing more of a balance between the funds allocated for economic cooperation and funds allocated to defending ourselves against each other.

President Bush has rightly challenged the Eastern block to "broaden its circles of freedom," but we must recognize that the "dream of global peace in our lifetime" will not occur if all the West does is cheerlead.

The USSR will be integrated into the Western community of

nations only if an East-West partnership for economic cooperation is developed. This is where U.S. and Soviet cooperative initiatives can play a major positive role with the potential to benefit all parties concerned. The Soviet Union represents a potential new mass market of 300 million people. Other things being equal, Soviet Cooperative leaders would favor joint ventures with U.S. Cooperative partners.

U.S. business and government leaders must also exercise a measure of caution. Significant barriers to trade and development continue to exist. It will take patient study and verification by our respective leaders to develop a viable partnership track record. The U.S. government will likely have to underwrite some initial risks for U.S. business interests. Public concerns will likely be raised about foreign aid to the communists and guaranteed profits for U.S. business interests. However, that may be the price of global peace in our lifetime. On a much more positive note, developing an East-West partnership for investing in economic development and cooperation would likely be cheaper than continuing a military build-up on both sides.

Selected References

Edelman, Mark A. "Economic Growth and Cooperative Enterprise Organization: Food For Thought and Perestroika in the USSR." Dept of Econ Staff Paper 192, Iowa State University, September 1988.

Edelman, Mark A. "A Proposal to Establish a Joint Venture Among U.S. and Soviet Cooperatives." Dept of Econ Staff Paper 201, Iowa State University, March 1, 1989.